
Minutes

Board of Natural Resources

January 4, 2005
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands

Terry Bergeson, Superintendent of Public Instruction

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington, College of Forest Resources

R. James Cook, Interim Dean, Washington State University, College of Agricultural, Human, and Natural Resource Sciences

BOARD MEMBERS ABSENT

Ted Anderson, Commissioner, Skagit County participated via conference phone

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:15 a.m. on, January 4, 2005, in Room 172 of the Natural Resources Building. Chair Sutherland began by making a brief announcement regarding the passing of a retired DNR employee stating that Jim Ridgeway's contributions both as a DNR employee and as a public citizen were greatly appreciated, he attended almost every Board meeting since his retirement in 1978, and was most supportive of the core function of the agency. He talked about Jim's extensive background in Forestry going back to his graduation from UW's College of Forest Resources in 1938. Dr. Bare added that Jim Ridgeway was a great supporter of UW not only in his thoughts and deeds but financially as well. He has two endowments that will carry his name into perpetuity, one supports student scholarships and the other is on it's way to becoming a professorship. He stated that on behalf of the college he wanted to express their sadness in his passing but added that he would be remembered because of the support he gave. Ms. Bergeson mentioned that a donation to the UW Scholarship fund would be a great way to contribute. She stated that Jim Ridgeway's nephew, of the same name, is a principal in the Franklin-Pierce School District at Washington High School and in her opinion is one of the best principal's she's ever encountered; she noted that he has the same integrity and good will as his Uncle did.

APPROVAL OF MINUTES

MOTION: Superintendent Bergeson moved to approve the December 7, 2004, Board of Natural Resources Meeting Minutes.

SECOND: Mr. Nichols seconded.

ACTION: Motion passed unanimously.

LAND TRANSACTIONS

Hedrick Creek #08-077055 (Handout 1)

Evert Challstedt began with a brief description of the Hedrick Creek property stating that it is located 25 miles northeast of Bellingham in Whatcom County. The parcel is in the North Fork Nooksack forest management block. He described the characteristics of the property as being 160 acres of site 3 forest land with planted 2 year Douglas fir, adding that the roads and stands are in good condition. He stated that the acquisition would benefit Common School Trust and that the purchase price is \$80,000 (\$500/acre). The property will provide a 5.5% rate of return, add good forestland to the sustainable harvest base, consolidate state ownership, and provide control of the access road.

MOTION: Superintendent Bergeson moved to approve resolution #1147.

SECOND Mr. Nichols seconded.

ACTION: Motion passed unanimously

TIMBER SALES

Proposed Timber Sales for February 2005 (Handout 2)

Jon Tweedale, Product Sales Assistant Manager, presented. He began by reviewing the December 2004 sales results: 14 sales offered & 9 sold; 39.6 mmbf offered & 29 mmbf sold; \$14.2 million minimum offered & \$11.5 million sold; \$349/mbf offered & \$395/mbf sold; average number of bidders was 2; 7% above minimum bid; 5 no bids.

Chair Sutherland asked Mr. Tweedale about the five no bid sales.

Mr. Tweedale explained that three of those sales had hardwood component in them and one of them was deferred to this month due to some discrepancies in a road package that was reviewed. He stated that the market has been strong for the past nine months but that hemlock and Douglas fir prices have now hit a plateau causing the price of hardwood and cedar to decrease a bit. He concluded that the appraisals were a bit off and the market indicated they were priced too high. They will be rearranged and brought back to the Board.

Ridge Wire Contract Harvest Sale Results: Previously unsold sorts modified and reappraised; all 8 sorts sold; total delivered value \$1,612,985; estimated stumpage value \$1,154,165.

Proposed February 2005 Board sales: 19 sales for 63.9 mmbf; \$15.9 million minimum bid; average \$248/mbf.

MOTION: Dr. Cook moved to approve the February 2005 Timber Sales.

SECOND Dr. Bare seconded.

DISCUSSION: Ms. Bergeson asked for an update on the world market.

Mr. Tweedale responded that it's been a strong market and the average price for the year is around the mid 300 level, which has not been seen for at least 6 years. He stated that there should be strength in the marketplace for the next six months but the overall macroeconomic forecast shows a dip in housing starts next year; he expects DNR's prices to soften as well. He added that the international markets are strengthening which

has caused a kind of flip-flop in wood flow with U.S. and Canadian lumber being exported to Japan.

Ms. Bergeson commented on the Bush administration's intent to do some major policy changes in forestry, she wondered what forestland would be affected?

Mr. Tweedale remarked that it has been a continuing dynamic being played out on the policy level in the current administration. He stated that it's been the Bush administration's goal to streamline the Healthy Forest Initiative so that permits can be issued quicker through the regulatory process so that diseased and fire damaged stands can be utilized, as opposed to rotting on the ground. Mr. Tweedale felt that this policy would not affect DNR's market.

ACTION: Motion passed unanimously

CHAIR REPORTS

Policy for Sustainable Forests (Handout 3 & 4)

Bruce Mackey, Craig Partridge, & Clay Sprague came forward to present the Policy for Sustainable Forests (PSF). Mr. Mackey stated that the legislature had been clear that the 2 million acres be managed now and in the future as a public forestland base. He said his goal for the next four months would be to provide the Board with a policy framework in which to base their final decision on. He asked the Board to begin thinking about development of managerial policies and within that framework to keep in mind that DNR is held to the Constitution and Enabling Act, as well as meeting the State and Federal Laws. He talked about the Growth Management Act (GMA), Forest Practices, and the Habitat Conservation Plan (HCP), explaining that the goals and requirements for the development of the Policy for Sustainable Forests mirror some of the same themes from the development of the Sustainable Harvest Calculation (SHC).

Chair Sutherland asked if the principles that the Board adopted in the development of the SHC had been used in the process for the Policy for Sustainable Forests?

Mr. Mackey said yes.

Mr. Sprague explained that the objectives were broadened to encompass the policies in the PSF.

Mr. Bare asked if it would be prudent to add a footnote before the objectives referencing Resolution #1110?

Mr. Mackey said that a footnote referencing Resolution #1110 would be added.

Mr. Anderson commented on the plan purpose (Handout 4, p. 4) suggesting that "revenue for the trusts" be moved up a notch. He asked how the Board felt about that?

Mr. Mackey responded that the first sentence in the plan purpose reads "Consistent with the fiduciary standards governing trust management"; he felt that the intent was the same as Mr. Anderson's suggestion.

Mr. Anderson wondered if the language could be stronger?

Mr. Mackey said these are the kind of discussions DNR staff would like to be having and they would be tracking these conversations.

Ms. Bergeson commented on the SHC process wondering how it could fit into the Policy for Sustainable Forests context. She suggested that the Board prioritize the policies.

Chair Sutherland created a visual for the Board by explaining that the Board is working under an umbrella with many spines that hold the fabric in place, the Board has dealt with six of those spines and will now be dealing with another 30+.

Mr. Partridge commented that statute and constitution have already been decided and he'd like to continue the focus on the core policies.

He gave four examples of what a policy is: 1) a level of general guidance 2) policy being a choice 3) setting policy where consistency and outcome is more important to the Board than unlimited flexibility for DNR field managers 4) policies that the Board adopts should specify the desired outcome but not set the details of how the policy should be implemented.

Mr. Bare asked if the Department's recommendation in June would be to accept all the preferred alternatives for all of the measures?

Mr. Partridge explained that after today's discussion he would be summarizing the areas of consensus or the major areas of continued debate. He reminded the Board that they didn't need to make final decisions issue by issue.

Mr. Bare asked when the Board would have the policy document?

Mr. Mackey said DNR staff is still working on that issue but one of the suggestions has been to accumulate the information as the process goes along. He pointed out to the Board that they would be adopting the unit in its entirety at the end, not the individual policies.

Mr. Partridge said their intention is to begin each meeting with a brief summarization of the previous meeting.

Mr. Cook asked if the Board would be provided with a new version of the PSF at every meeting?

Mr. Mackey said he felt that the Board should keep the original document all the way through but as Mr. Partridge mentioned DNR staff would be keeping their own document with a running record of the issues being discussed.

Mr. Sprague said an entire Board meeting in May had been set aside to review all the recommended options.

Mr. Mackey stated that it's important to maintain the interconnectedness throughout this process.

Break at 10:15 am.

Reconvened at 10:30 am.

Clay Sprague, Project Manager, for the development of Policy for Sustainable Forests (PSF), presented. He began by discussing the importance of the PSF stating that the Policy for Sustainable Forests identifies the outcomes the Board expects the Department to achieve from the forested trust lands. It also describes the broad approaches the board would like the Department to use in managing the forested state trust lands.

For these reasons its a very important document. It is also important because it speaks to the public and Department staff on what the Department is striving to accomplish through management of these lands. It also describes the balance inherent in the management of forested state trust lands to ensure sustainable revenue, forest ecosystem health, and the flow of cultural and social benefits, on behalf of the trust beneficiaries and all the people of Washington.

Mr. Sprague remarked on his previous position as an assistant region manager responsible for 300,000 acres of trust land in the most populous part of the state, and how he continually referred to the Forest Resource Plan (FRP) to provide that high level guidance to his decision making. In his region, all the staff from the Region Manager to the Forester 1 relied on the FRP. He said the Board's Policy for Sustainable forests would be viewed the same way.

Developing the Policy for Sustainable Forests

Mr. Sprague said that in developing the Policy for Sustainable Forests, they knew they needed to first identify the purpose and the objectives the policies should be accomplishing or meeting. The purpose statement and the policy objectives would help define the policy subjects to address in Policy for Sustainable Forests and what reasonable alternatives should be considered. He explained that the guiding principles used by the Board in their decision-making on the Sustainable Harvest Calculation were a good foundation for the policy objectives.

He and his staff identified early on that sustainable forest management is a dominant theme nationally and globally. Since sustainability for the forested state trusts lands revolve around long-term revenue, forest ecosystem health, and social and cultural benefits; they decided the guiding document for managing forested state trust lands should reflect this theme of sustainability, both in content and organization.

Scoping

Once Mr. Sprague and his team developed a draft purpose statement, a set of policy objectives, and an organizational concept, they initiated a fairly intensive internal and external scoping process to see what people thought about the purpose, objectives, and organization. The handout titled "Policy for Sustainable Forests – Project and Communication Plan" details those efforts, as well as other information, to give the Board an idea of whom they've talked to throughout the various phases of the project.

Policy Subjects and Alternatives

Then, using the results of scoping staff revised the purpose and policy objectives, reviewed the existing policies in the FRP and developed a preliminary set of subjects to be addressed in the Policy for Sustainable Forests. After developing alternative policy approaches for each of those subjects, they went through another, more focused, internal and external scoping process on the subjects and approaches. This is also detailed on the Project and Communications Plan document.

He emphasized that for the remainder of the meeting he'd be walking through the first 9 policy subjects. For each subject he would give a brief introduction as to why it's there, why the Department thinks it's important to consider, explain the differences between the alternatives, and the rationale behind the

Department's recommended alternative. He concluded that the discussion following his brief comments would give him a feeling for the Board's comfort level with the Department's recommendation or whether they'd like to go a different direction in regard to that policy subject.

Financial Diversification (page 5)

Mr. Sprague testified that since 1992 additional opportunities to produce revenue from forested trust land and increased net revenue to each trust beneficiary have developed. In addition to new and different markets for major and minor forest products, new leasing opportunities have developed such as communication sites, sand and gravel and other valuable materials. Opportunities such as carbon sequestration, tourism, energy generation and others may offer additional revenue sources in the future.

He highlighted that this subject area deals with the level of risk and speculation the Department should take in regards to increasing net revenue to each beneficiary through diversifying products sold from forested trust lands, as well as securing revenue from non-timber related uses such as recreation, carbon sequestration, and clean water.

This subject does not address diversification among asset classes such as commercial forestry, agriculture and commercial real estate. That type of asset diversification is addressed elsewhere, outside of the Policy for Sustainable Forests.

The alternatives identified vary from a very conservative and limited approach to financial diversification (alt. 1), to one that is less conservative but still focuses primarily on timber products and those non-timber products that are proven revenue producers, to a speculative approach that invests in potential revenue sources of the future.

The Department's recommended alternative is a blend of these alternative and takes advantage of what the Department already does to improve net returns to each beneficiary, and also directs the Department to explore and identify new markets for forest products, nationally and globally, and to pursue economic opportunities related to non-forest products, including opportunities related to ecological and social benefits, where there is a clear opportunity to improve the net returns to each trust beneficiary.

He conveyed that this is the recommended alternative as it avoids taking more risk than is prudent for each trust beneficiary, yet encourages creativity and innovation in considering new, non-traditional revenue opportunities. *(Contributes to Policy Objectives 2, 6, 7, and 9)*

Mr. Nichols asked if Certification would be included?

Mr. Sprague said yes if the market were to develop for green products this policy would allow DNR to consider and enter into that market.

Chair Sutherland commented that this policy would enable DNR to participate with other organizations and States in utilizing the marketplace in a broader sense than is currently being tapped. He gave an example of Skagit County's beet seed market explaining how the ability to market those seeds enhance DNR's ability to market the leases that DNR holds on agricultural land.

Mr. Anderson said those type of partnerships would benefit his area in Northwestern Washington.

Mr. Cook said the preferred alternative is futuristic and the next ten years would present opportunities that hadn't been thought of.

Mr. Sprague said that “net revenue to each trust beneficiary” is intended to convey that the Department would be thinking about the opportunity costs of the other business but would not detract from the overall return.

Mr. Anderson said he liked the futuristic approach and expressed that there are some great opportunities to enhance revenue through other avenues while still focusing on the timber program as the main revenue producer.

Mr. Bare said he would like to see more of alternative 3 in the mix to make it more futuristic. He wondered if the Department had positioned themselves strong enough for the future by not including a little more strength from alternative 3?

Mr. Partridge said it seemed that there was consensus around the preferred alternative being more explicit about some of the anticipated opportunities. He said DNR is not ignoring carbon sequestration but recognizes that the Board would like to see a little more explicit mention of those things as well as the partnerships that Chair Sutherland mentioned; a prudent but futuristic approach.

Mr. Bare asked if DNR was talking about expanding communication rental sites?

Chair Sutherland said yes.

Mr. Nichols asked if Chair Sutherland was indicating partnerships with other states that have a shared interest and creating a joint marketing effort?

Chair Sutherland said if the shared interest made sense then yes. He said that he could see doing some collaboration with the State of Oregon that would benefit both states.

Mr. Anderson wanted to make sure that the ideas proposed are compatible with the Growth Management Act (GMA) and Local County plans.

Financial Assumptions (page 7)

Mr. Sprague explained that the Department makes certain financial assumptions as it uses various investment models to guide decisions such as silvicultural activities, capital investments such as roads, and investments in forestlands. These assumptions can include prices, costs, interest rates, and other financial factors reflecting national and regional economic conditions.

He outlined three alternatives identified for this subject and showed how they all relate to how often and in what way the Department should review the financial assumptions.

The current policy simply states that the Department will review and adjust annually its financial assumptions.

The Department recommends as a more prudent and flexible approach to review and update the financial assumptions as general economic situations dictate. In addition, the recommended alternative recognizes there is value in consistency across Department programs in reviewing and updating financial assumptions and recommends a comprehensive, rather than program-by-program approach.

(Contributes to Policy Objectives 2 and 6)

Mr. Partridge asked the Board members if they had any suggestions or comments regarding the financial assumptions policy?

Mr. Bare expressed his desire for the policy to review the financial assumptions annually instead of on a periodic basis.

Mr. Cook agreed.

Mr. Mackey explained that financial analysis done on forestlands uses a different set of assumptions than say aquatic or agricultural land. He said the intent is to have consistency across programs.

Mr. Bare asked if these assumptions would apply to riparian lands?

Mr. Sprague said yes but not to submerged aquatic lands.

Mr. Mackey referred to Mr. Bare's suggestion of annual reporting and explained that the Department felt that with this particular policy it should be driven by major changes. He said there might be another place to insert the annual reporting requirement.

Mr. Partridge recognized that the Board didn't want to lose the idea of at least an annual look at the trends.

Ms. Bergeson said essentially they would review annually and adjust according to changing economic conditions.

Circumstances Triggering the need for a Recalculation of the Sustainable Harvest Level (page 8)

No alternatives considered or analyzed for policy adopted by the Board on September 8, 2004; completed as part of the Western Washington Sustainable Harvest Calculation.

Definition of Sustainability for the Sustainable Harvest Calculation (page 9)

No alternatives considered or analyzed for policy adopted by the Board on September 8, 2004; completed as part of the Western Washington Sustainable Harvest Calculation.

Mr. Sprague said that this policy established the sustainable harvest units for Western Washington and replaced Policy No. 6 in the FRP related to previous sustainable harvest units as part of the previous sustainable harvest calculation.

Policy No. 7 in the FRP establishes the Eastern Washington sustainable harvest units used in the previous sustainable harvest calculation for Eastern Washington.

He said that the Department recommends expiring Policy No.7, which would have no impact on the current harvest levels for Eastern Washington. Sustainable harvest units for Eastern Washington would be identified as part of the next Eastern Washington sustainable harvest calculation and the appropriate policy developed at that time. This approach provides more flexibility to the Department when it undertakes the Eastern Washington sustainable harvest calculation. *(Contributes to Policy Objective 6)*

Mr. Nichols asked what the status was on the Eastern Washington SHC?

Mr. Mackey said the Department's goal is to complete that process in the next couple of years. DNR is currently in the inventory stage, which is the beginning.

Land Classifications (page 10)

Mr. Sprague stated that for the purposes of the sustainable harvest calculation, forested state trust lands are classified as either available for harvest or not available for harvest. In the past, lands that were not available for harvest, either in the short-term or long-term were classified as “off-base” and were not included in a sustainable harvest calculation. Those that were available for harvest were classified as “on-base” and were included in the sustainable harvest calculation.

He continued that with the development of the HCP it became clear that most forested trust lands were not available for harvest, either in the short- or long-term, but still contributed to meeting trust objectives, especially ecological, and should be included in the Sustainable Forestry Model. The model classifies lands based on their contribution to management objectives, which includes lands where no harvest activities would occur either in the short- or long-term. However, it is still important to identify lands that are not available for harvest.

The Department’s recommended alternative replaces the “off-base” designation with a designation of short or long-term deferral from harvest and includes those lands in the sustainable forestry model when calculating the sustainable harvest calculation. This more accurately and clearly depicts the role of lands not available for harvest in contributing to attainment of trust objectives. *(Contributes to Policy Objective 3)*

Mr. Cook asked if this was referring directly to the timber harvest program, not the alternative revenue sources (carbon sequestration, etc.).

Mr. Sprague said that was correct.

Ms. Bergeson asked if on and off base would be replaced with the “short & long term deferral” language?

Mr. Sprague said yes.

Forest Health (page 11)

Mr. Sprague stated that productive healthy forests directly provide many economic, ecological, and social benefits to the trust and all the people of Washington. Serious forest health problems exist across broad landscapes involving multiple ownerships, especially in Eastern Washington, which are compromising attainment of trust objectives.

He noted that the Department’s recommended alternative (alternative 2) builds upon and expands the current policy (alternative 1) by emphasizing landscape strategies to deal with the fundamental causes of forest health issues related to overstocking and species composition. He emphasized that managing stocking levels and species composition on as much of the landscape as possible to emulate more natural or historic stocking levels and species would result in forested landscapes being more resistant to catastrophic wildfire, insect, and disease outbreaks. This alternative also emphasizes the importance of working with the scientific community, other agencies, and other landowners to address forest health issues. *(Contributes to policy objectives 2, 4, 5, 6, and 7)*

Ms. Bergeson asked what kind of feedback Mr. Sprague had received from field staff regarding this policy.

Mr. Sprague responded that they had a working example in Klickitat County where they did a broad based strategy to deal with forest health. So far it has worked well in providing broad strategies; the biggest concern is the economic ability to do all the designed treatments. Overall the field staff provided very good feedback and were involved in the development of the strategies.

Mr. Anderson wondered if this was designed to help them deal with insect infestation?

Mr. Sprague said that this policy would treat the causes of forest health issues not just the symptoms.

Mr. Cook said his impression was that DNR was already doing this at some level or were already moving towards the one that the Board would be adopting.

Mr. Sprague said that was true particularly in Klickitat County.

Mr. Mackey added that DNR received direction from the legislature when they requested the ability to use contract harvesting to deal with forest health issues. This policy would be an expansion of that approach.

Mr. Nichols asked what the difference between alternative 1 (no action) and alternative 2 (Department's preferred) would be under this policy?

Mr. Sprague said the difference would mostly pertain to the emphasis on developing landscape strategies at an appropriate scale to address overstocking and inappropriate species composition.

Mr. Nichols suggested articulating alternative two to better reflect the emphasis on treating the underlying causes of forest health.

Mr. Bare asked if alternative two adequately addresses invasive species problems as part of forest health?

Mr. Sprague said it's not explicit in the language right now but it could certainly be discussed.

Mr. Bare felt it wasn't recognized enough under alternative two and expressed the importance of it being strengthened in the policy.

Mr. Bare asked if there was a DNR scientific committee that reported on forest health issues?

Chair Sutherland said yes and they reported last Thursday. He added that the report touched more on the regulatory side of how the Department should deal with those issues once they arise.

Ms. Bergeson said the policy should clearly state that the Department would be focusing on going after the underlying causes as opposed to reacting to outbreaks.

Wildfire and Catastrophic Loss Prevention (page 12)

Mr. Sprague talked about protecting trust assets from loss due to catastrophic wildlife or other factors such as wind, insects, and disease. He pointed out that the protection of these assets is critical in meeting the trust economic and ecological objectives, and assuring a continuing flow of social and cultural benefits from the forested trust lands. Addressing forest health issues across broad landscapes as discussed in the Forest Health policy subject area is closely tied to this policy subject.

The Department's recommended alternative (alternative 2) builds upon and expands the current policy (alternative 1) by emphasizing the importance of managing stocking levels and species composition on as much of the land base as possible to emulate more natural or historic stocking levels and species composition. Historically, these stands were more resistant to catastrophic wildfire and insect and disease outbreaks.

This alternative also includes the importance of lessening the economic impact of catastrophic events to the trust through salvage, consistent with ecological objectives. As in forest health, this alternative emphasizes the importance of working with the scientific community, other agencies, and other landowners to reduce forest resource losses to the trust and all the people of Washington. *(Contributes to Policy Objectives 2, 4, 5, 6, 7 and 9)*

Mr. Cook asked if a fire resistant stand existed?

Mr. Mackey said yes, if you thin out a pine stand the pine bark are resistant to fire so the flames drop down and run through the bottom. Due to invasive species and overstocking it has created ladder fuel, which causes the fire to spread through the top of the stands, which creates the catastrophic wildfires.

Mr. Sprague reminded the Board that they had done a Forest Health tour in the Southeast region a few years back where there had been a fire that went through an untreated stand and then hit a treated stand and it dropped down just as Mr. Mackey explained.

Genetic Resource (page 14)

Mr. Sprague remarked on the genetic make-up of tree populations as a key factor affecting forest health and productivity. The department has an active tree improvement program that is based on the preservation of genetic material through establishment and protection of gene pool reserves. These reserves are deferred from harvest.

He explained how the alternatives address the Department's approach to protection of gene pools on forested trust lands to ensure sufficient genetic material are available to the trusts in the future.

The alternatives vary from relying to the extent possible, on gene pools in protected status on other department lands or other landowners, to increasing the number of gene pools on trust lands to protect against catastrophic events.

The recommended alternative continues the existing policy of protecting and enhancing a diverse gene pool of native trees on forested state trust lands. The alternative does not rely on other department lands or ownerships, but also does not increase the number of gene pools and additional forestland deferred from harvest anticipating catastrophic events. This seems to offer the best balance between protecting the genetic resource of each trust, yet maintaining as much land as possible for active management. *(Contributes to Policy Objectives 2, 5, and 7)*

Mr. Cook asked if the U.S. maintains a seed bank representing the diversity of native trees?

Mr. Bare said he wasn't aware of one.

Ms. Bergeson said incorporating alternative three into the Department's preferred alternative would direct DNR to go beyond what is being done currently (under the genetic resource policy).

Mr. Partridge said that was an accurate description.

Special Ecological Features (page 15)

Mr. Sprague stated that some forested state trust lands contain special ecological features such as rare plant and animal species, habitats and communities. These are often features that need special

management consideration for their long-term survival and may fill gaps in ecosystem diversity due to limited or no representation in the state's natural areas system.

Both alternatives continue a program for identifying lands with special ecological features. The recommended alternative clarifies and broadens the mechanisms the Department would use to protect those features. This alternative emphasizes the special ecological features referred to here and is normally of regional or statewide significance and is often identified by the Department's Natural Heritage Program. This alternative also clarifies that the Department does not need additional legislation to protect those areas and would do so through disposal, retention, and creative partnerships and funding.

This alternative provides for environmental protection of special ecological features; provides more clarity for both the public and the Department; encourages partnerships to help protect special ecological features; and encourages identification and protection of trust lands that provide special ecological benefits with compensation to the trusts.

(Contributes to Policy Objectives 2, 3, 4, and 8)

Chair Sutherland said they had completed the list of policy objectives for today's meeting and that DNR staff would now go back and do more drafting and assimilation with the Board suggestions and bring it back for review at the next Board meeting or at the 1X1 meetings.

Mr. Partridge said the Board would have an opportunity to review their findings and discuss them individually with DNR staff if needed, before the next Board meeting.

Ms. Bergeson recommended that the Board come to a tentative collaborative decision on these areas for the next Board meeting. She wanted to know if the Policy document would consist of just the bold language?

Mr. Mackey said no it would consist of the introductory language and the proposed policies.

Chair Sutherland gave the Board copies of a document (Handout 5) showing lands managed by the Department. He explained that the chart is prepared yearly for the annual report.

He stated that there would be a Special Meeting on January 18, 2005 to select the Chair and Vice Chair of the Board of Natural Resources. He added that it would be conducted via conference call and that he would be the only Board member present at the NRB; the public is welcome to attend and make public comment.

He brought the Board's attention to the Lake Whatcom Report to the legislature (Handout 6) saying that he wanted to make sure the Board had copies of it including his letter to the legislature. He said that he sent a letter to Whatcom County officials suggesting that within 90 days they submit names for the Interjurisdictional Committee (IJC); he added that those names should be coming in soon. He said that Mr. Wallace had indicated that the IJC's first meeting would be held as soon as the majority of those names had been identified and appointed. He stated that the Department anticipates the first harvest coming to the Board for approval in fall 2005.

Chair Sutherland announced that Todd Myers, Communications Director, since 2001, would be leaving the Department to pursue his goals in the private sector as a consultant. He said that he interviewed for the position and was pleased to announce Patty Henson's offer and acceptance as the new Communications Director. He felt that she would do a great job and was looking forward to working with her in her new capacity.

He then talked about financial objectives of the last four years and what had been accomplished to date. He explained that although there had been decreases in revenue and increases in productivity the Department continues to draw down on the fund balances to be able to ensure continued work in the Department. He discussed the Independent Review Committee (IRC) and what their recommendations were for the Department. He explained that DNR staff put together an intense set of documents for the IRC to review and they have now come up with their recommendations for DNR. He wanted to thank Sid Snyder, Charlie Bingham, Tom Huff, Tricia Bennet, and Ted Bottiger for their flexibility and focused attention to this challenge. He said that one of the items in the report was the recognition that DNR would have to expend monies in excess of resources currently available, both in the fund balances and the current levels of retainage, for management purposes. He said it would be up to the Department to decide how to secure those additional funds. He remarked that with the IRC recommendations DNR would be developing a piece of legislation that would increase the amount of retainage for management operations from 25% to 30%. This particular discussion is currently going on with the beneficiary groups and a strategy is being developed to approach the legislature to secure this funding. He said the increase would apply to the 10-year period of the sustainable harvest and then would require the Board to review the financial data and make a recommendation on a biennial basis as to what the next two years should be (not to exceed the 30%).

Ms. Bergeson thought it would be a good idea to hold a work session with the IRC, House, & Senate to get the support of a broad base of people in the natural resource area (Legislature). She stressed the importance of building a framework of trust between those groups by holding a work session in understanding how the IRC came up with their recommendations. She added that if the legislature won't support the change in the retainage fee then the last three years worth of work is unfundable. The biggest reason she supports the proposed legislation is the fact that there would be a better return on the trusts and more money to the beneficiaries.

Mr. Cook asked if this report would be shared with the representation of the beneficiaries?

Chair Sutherland said yes and that process has already begun.

Mr. Partridge added that the beneficiaries have been part of this process throughout including submittal of questions to the IRC and addressing the panel at their first meeting. The recommendations were founded from the findings that committee members made which are in turn elaborated in the appended technical material the Department put together. The increase in management fees is not the only recommendation from their findings, they also recommended that the Department take other actions to further reduce costs and increase efficiency. The Department plans on implementing every one of those over time.

Chair Sutherland asked if there was anyone else present wishing to make comment before the Board? Seeing none, hearing none.

Meeting adjourned at 12:05 p.m.

Approved this ____ day of _____, 2005

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington

R. James Cook, Dean, Washington State University (Interim)

Terry Bergeson, Superintendent of Public Instruction

Ted Anderson, Commissioner, Skagit County

Attest:

Sasha Lange, Board Coordinator